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Talent Gap Pushes Insurance Companies to Evaluate Diversity Initiatives

March 5, 2020 by Elizabeth Blossfield

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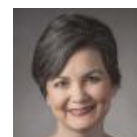
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Expectations for the work environment are changing as new generations enter the workforce, and as a result, insurance companies are facing increased pressure to evaluate their focus on diversity and inclusion to recruit and retain young talent.

This was the message from a team of panelists in February at the Women & Diversity: Expanding Opportunity in Insurance conference, co-hosted by the American Property Casualty Insurance Association, the Life Insurance Council of New York and ACLI in New York City.

“When you look at the workforce, it’s changing,” said Kathleen Navarro, chief diversity officer at New York Life. “Expectations are changing. The way we work is changing, and it’s something companies have to think about and address.”

According to a Pew Research Center report, post-millennials—commonly referred to as Generation Z—are on track to be the most diverse generation yet, with nearly half of Gen Z-ers ages six to 21 in 2018 being considered racial or ethnic minorities. That’s compared to 39 percent of millennials ages six to



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21 in 2002 being nonwhite, and only 18 percent of early boomers within that age range in 1968 being nonwhite.

This means that as older generations age out of the workforce and new generations take their place, there is increased multicultural representation in talent pools, pushing companies to rethink their diversity and inclusion strategies.

“With younger generations, there is a greater importance placed on trust,” said Susan Johnson, chief diversity and inclusion officer at The Hartford. “All folks want to be part of something bigger. This [diversity and inclusion] conversation really helps with trust and purpose.”

While the insurance industry has seen recent growth in diversity initiatives, with many insurance companies having chief diversity officers in place to assist with this, panelists said there is still more to do.

“We’re very diverse at lower levels, but once we get to director positions and above, it drops off,” said Sue Lavallee, chief diversity officer and head of employee experience at Equitable Holdings.

Indeed, an October McKinsey & Company report about gender parity in insurance states that white women make up 45 percent of entry-level roles, yet only 18 percent of the C-suite in insurance. This means that fewer than 1-in-5 direct reports to the CEO are women, according to the report.

For women of color in insurance, the numbers are even lower. They hold only 12 percent of entry-level roles and just 3 percent of direct-reporting roles to the CEO, the report states. In other words, black, Hispanic and Asian women altogether make up only 3 percent of the insurance C-suite.

“If you don’t think about the organization across all different levels and roles and functions, you’ll be losing talent,” Johnson said. “This is a talent war, the market is strong and people will be looking elsewhere.”

McKinsey & Company research also shows that companies in the top quartile for racial and ethnic diversity at the leadership level are 32 percent more likely to outperform their peers on profitability, according to an August Insurance Journal feature.

(<https://www.insurancejournal.com/magazines/mag-features/2019/08/19/536533.htm>)

Additionally, Boston Consulting Group found that innovation revenue, which it defines as revenue from new products or services, was 19 percent higher in companies with above-average diversity on their leadership teams compared to those with below-average diversity at the leadership level.

As the insurance industry continues to mature and companies seek to recruit more Gen Z-ers into their pipelines, moving diverse talent through every level of an organization is a strategy that can be critical in succession planning, Vievette Henry, global head of organizational effectiveness and inclusion at AIG, said.

“We’ve spent the money, invested in this talent, and now we need to do something about it in our succession planning and talent management discussions,” she said. “As we look at our data and see that at the bottom of the house there is lots of diversity, we need to ask how do we move that diverse talent? If we don’t move them, it leads to high attrition. They need to see the opportunities to grow within the organizations that they’re in.”

Panelists explained that one way to do this is to move away from focusing on quotas in terms of hiring diverse talent. Instead, examine the demographic makeup of the company as a whole to determine where the gaps and opportunities are and the best strategy for moving forward.

“One person in and of themselves can’t be diverse,” Johnson said. “Diversity is a group construct.”

Another way to make a difference in an organization is to make sure the company isn’t only approaching diversity based on two categories: women and people of color, she said.

“It’s important that you unpack your representation by white women, women of color, white men and men of color,” Johnson said as one example of analyzing race and gender diversity within a company. “It will give you perspective you won’t get if you only think of women and people of color.”

Henry added that while there is a lot of work happening in the insurance space to place more of a focus on diversity, it is important that insurance companies continuously analyze their data to identify the areas that need more focus—whether it’s recruiting a certain talent demographic or moving diverse talent to a certain level within the company, such as the C-suite or board.

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